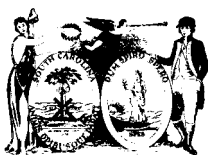


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

June 27, 2001

Mr. Randy Tucker, Administrator  
Cherokee County Long Term Care Facility  
1434 North Limestone Street  
Gaffney, South Carolina 29340-4734

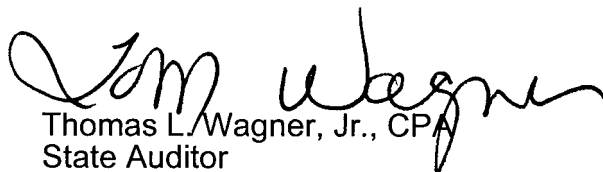
Re: AC# 3-CKC-F8 – Cherokee County d/b/a Cherokee County Long Term Care Facility

Dear Mr. Tucker:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 1, 1997 through June 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**CHEROKEE COUNTY  
D/B/A CHEROKEE COUNTY  
LONG TERM CARE FACILITY**

**GAFFNEY, SOUTH CAROLINA**

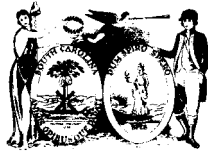
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-CKC-F8**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 4, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Cherokee County d/b/a Cherokee County Long Term Care Facility, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended June 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

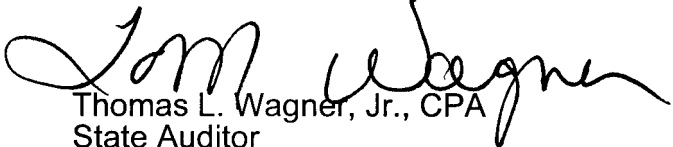
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Cherokee County d/b/a Cherokee County Long Term Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Cherokee County d/b/a Cherokee County Long Term Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
April 4, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**CHEROKEE COUNTY LONG TERM CARE FACILITY**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-CKC-F8

	10/01/99- <u>09/30/00</u>
Interim reimbursement rate (1)	\$101.86
Adjusted reimbursement rate	<u>95.40</u>
Decrease in reimbursement rate	\$ <u><u>6.46</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 1999 Through September 30, 2000  
 AC# 3-CKC-F8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.20	\$50.93	
Dietary		10.83	10.24	
Laundry/Housekeeping/Maint.		<u>7.43</u>	<u>8.89</u>	
Subtotal	<u>\$4.90</u>	63.46	70.06	\$63.46
Administration & Med. Records	<u>\$1.19</u>	<u>10.20</u>	<u>11.39</u>	<u>10.20</u>
Subtotal		73.66	<u>\$81.45</u>	73.66
<u>Costs Not Subject to Standards:</u>				
Utilities		3.42		3.42
Special Services		1.16		1.16
Medical Supplies & Oxygen		5.13		5.13
Taxes and Insurance		.34		.34
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$83.73</u>		83.73
Inflation Factor (3.00%)				2.51
Cost of Capital				6.42
Cost of Capital Limitation				(.03)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.19
Cost Incentive				4.90
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.34)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>.27</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$95.40</u>

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended June 30, 1998  
AC# 3-CKC-F8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,461,416	\$ 5,139 (7) 100 (13) 11,934 (14)	\$ 10,606 (8) 1,016 (8) 26,579 (9) 2,435 (9) 2,252 (13) 6,839 (14) 32,644 (16)	\$1,396,218
Dietary	317,992	30,852 (14) 263,862 (15)	800 (8) 23 (12) 277,478 (16)	334,405
Laundry	43,490	242 (7) 10,902 (15)	89 (8) 10,924 (16)	43,621
Housekeeping	126,256	58,639 (14) 59,413 (15)	345 (8) 30,458 (12) 93,942 (16)	119,563
Maintenance	91,680	6,258 (8) 1,273 (13) 113,442 (15)	21,327 (12) 125,150 (16)	66,176
Administration & Medical Records	313,510	1,004 (7) 7,341 (8) 26,579 (9) 140 (13) 1,156 (14) 125,851 (15)	4,647 (3) 9,460 (5) 6,400 (6) 649 (8) 777 (12) 4,500 (12) 3,000 (13) 130,310 (16) 863 (16)	314,975
Utilities	155,719	59,468 (14) 5,504 (15)	1,273 (13) 113,859 (16)	105,559
Special Services	41,183	-	5,230 (11)	35,953
Medical Supplies & Oxygen	178,711	-	12,640 (7) 518 (10) 272 (11) 1,452 (12) 5,380 (14)	158,449
Taxes and Insurance	11,324	7,391 (14) 631 (15)	8,875 (16)	10,471



**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended June 30, 1998  
 AC# 3-CKC-F8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	704	330 (15)	350 (16)	684
Cost of Capital	236,919	20,579 (1) 15,964 (15) 3,220 (17)	5,435 (2) 14,131 (4) 100 (13) 58,713 (16)	198,303
Subtotal	2,978,904	837,214	1,031,741	2,784,377
Ancillary	48,086	6,255 (7)	-	54,341
Non-Allowable	1,094,738	5,435 (2) 4,647 (3) 14,131 (4) 9,460 (5) 2,435 (9) 518 (10) 5,502 (11) 58,537 (12) 853,108 (16)	20,579 (1) 94 (8) 126,369 (14) 595,899 (15) 3,220 (17)	1,302,350
Total Operating Expenses	<u>\$4,121,728</u>	<u>\$1,797,242</u>	<u>\$1,777,902</u>	<u>\$4,141,068</u>
Total Patient Days	<u>30,889</u>	<u>-</u>	<u>-</u>	<u>30,889</u>
Total Beds	<u>85</u>			

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
Adjustment Report  
Cost Report Period Ended June 30, 1998  
AC# 3-CKC-F8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Fixed Assets	\$ 262,039	
	Cost of Capital	20,579	
	Accumulated Depreciation		\$ 105,665
	Fund Balance		156,374
	Nonallowable		20,579
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Investments	5,412	
	Accumulated Amortization - Loan Cost	14,518	
	Bonds Payable	87,412	
	Fund Balance	79,540	
	Nonallowable	5,435	
	Loan Cost		95,473
	Current Portion of Long Term Debt		83,512
	Interest Payable		7,897
	Cost of Capital		5,435
	To adjust bond related debt, loan costs, interest expense, interest income, and amortization expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Fund Balance	8,401	
	Nonallowable	4,647	
	Notes Payable		8,401
	Administration		4,647
	To adjust debt and related interest expense HIM-15-1, Sections 202.1 and 2304 State Plan, Attachment 4.19D		
4	Nonallowable	14,131	
	Cost of Capital		14,131
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
Adjustment Report  
Cost Report Period Ended June 30, 1998  
AC# 3-CKC-F8

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Administration	9,460	9,460
	To adjust Provider allocation of dues expense HIM-15-1, Section 2304		
6	Retained Earnings Administration	6,400	6,400
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nursing	5,139	
	Laundry	242	
	Administration	1,004	
	Ancillary	6,255	
	Medical Supplies		12,640
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk		
8	Maintenance	6,258	
	Medical Records	7,341	
	Nursing		10,606
	Restorative		1,016
	Dietary		800
	Laundry		89
	Housekeeping		345
	Administration		649
	Nonallowable		94
	To properly allocate fringe benefit expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
Adjustment Report  
Cost Report Period Ended June 30, 1998  
AC# 3-CKC-F8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Medical Records	26,579	
	Nonallowable	2,435	
	Nursing		26,579
	Restorative		2,435
	To reclassify expense to the proper cost center HIM-15-1, Section 2304 DH&HS Expense Crosswalk		
10	Nonallowable	518	
	Medical Supplies		518
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment, 4.19D		
11	Nonallowable	5,502	
	Medical Supplies		272
	Special Services		5,230
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
12	Nonallowable	58,537	
	Dietary		23
	Housekeeping		30,458
	Maintenance		21,327
	Administration		777
	Medical Records		4,500
	Medical Supplies		1,452
	To remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
Adjustment Report  
Cost Report Period Ended June 30, 1998  
AC# 3-CKC-F8

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Other Income	5,112	
	Restorative	100	
	Maintenance	1,273	
	Administration	140	
	Nursing		2,252
	Medical Records		3,000
	Utilities		1,273
	Cost of Capital		100
	To properly offset income		
	against related expense		
	HIM-15-1, Sections 2102.3 and 2328		
	State Plan, Attachment 4.19D		
14	Restorative	11,934	
	Dietary	30,852	
	Housekeeping	58,639	
	Administration	1,156	
	Utilities	59,468	
	Taxes and Insurance	7,391	
	Other Income		30,852
	Nursing		6,839
	Medical Supplies		5,380
	Nonallowable		126,369
	To reverse provider allocation of		
	cost to non-reimbursable cost centers		
	and DH&HS income offset		
	HIM-15-1, Sections 2102.3 and 2304		
	State Plan, Attachment 4.19D		
15	Dietary	263,862	
	Laundry	10,902	
	Housekeeping	59,413	
	Maintenance	113,442	
	Administration	125,851	
	Legal	330	
	Utilities	5,504	
	Taxes and Insurance	631	
	Cost of Capital	15,964	
	Nonallowable		595,899
	To reverse DH&HS adjustment to		
	remove indirect cost applicable		
	to non-reimbursable cost centers		
	HIM-15-1, Section 2103.3		
	State Plan, Attachment 4.19D		

## CHEROKEE COUNTY LONG TERM CARE FACILITY

Adjustment Report  
Cost Report Period Ended June 30, 1998  
AC# 3-CKC-F8

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
16	Nonallowable	853,108	
	Restorative		32,644
	Dietary		277,478
	Laundry		10,924
	Housekeeping		93,942
	Maintenance		125,150
	Administration		130,310
	Medical Records		863
	Legal		350
	Utilities		113,859
	Taxes and Insurance		8,875
	Cost of Capital		58,713
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
17	Cost of Capital	3,220	
	Nonallowable		3,220
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$2,266,076</u>	<u>\$2,266,076</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended June 30, 1998  
 AC# 3-CKC-F8

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>44</u>	<u>41</u>	
Deemed Asset Value	1,545,720	1,440,330	
Improvements Since 1981	563,174	88,484	
Accumulated Depreciation at 6/30/98	<u>(768,313)</u>	<u>(442,962)</u>	
Deemed Depreciated Value	1,340,581	1,085,852	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	84,457	68,409	
Return Applicable To Non-Reimbursable Cost Centers	(16,875)	(17,196)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>996</u>	<u>33,151</u>	
Allowable Annual Return	68,578	84,364	
Depreciation Expense	31,737	80,782	
Amortization Expense	-	3,785	
Capital Related Income Offsets	(789)	(11,441)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(7,180)</u>	<u>(51,533)</u>	<u>Total</u>
Allowable Cost of Capital Expense	92,346	105,957	\$198,303
Total Patient Days (Actual)	<u>15,990</u>	<u>14,899</u>	<u>30,889</u>
Cost of Capital Per Diem	\$ <u>5.78</u>	\$ <u>7.11</u>	\$ <u>6.42</u>

**CHEROKEE COUNTY LONG TERM CARE FACILITY**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended June 30, 1998  
 AC# 3-CKC-F8

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$1.72	\$N/A
Adjustment for Maximum Increase	\$ <u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>5.71</u>	\$ <u>7.11</u>
Reimbursable Cost of Capital Per Diem		\$6.39
Cost of Capital Per Diem		<u>6.42</u>
Cost of Capital Per Diem Limitation		\$ <u>(.03)</u>



2 copies of this document were published at an estimated printing cost of \$1.47 each, and a total printing cost of \$2.94. The FY 2000-01 Appropriation Act requires that this information on printing costs be added to the document.